

Line 37 - New Jersey Taxable Income

Subtract Line 36c from Line 35. If zero or less, make no entry.

Line 38 - Tax on Amount on Line 37

Compute your tax by using one of the following methods.

Tax Table. If your New Jersey taxable income is less than \$100,000, you may use the New Jersey Tax Table on page 53 or the New Jersey Tax Rate Schedules on page 62 to find your tax. When using the tax table, be sure to use the correct column. After you have found your tax, enter the amount on Line 38.

Tax Rate Schedules. You must use the New Jersey Tax Rate Schedules on page 62 if your New Jersey taxable income is \$100,000 or more. Use the correct schedule for your filing status. After you have calculated your tax, enter the amount on Line 38.

Line 39 - Tax

Enter on Line 39 the amount of tax from Line 38, page 2.

Line 40 - Credit for Income Taxes Paid to Other Jurisdictions

Enter on Line 40 the amount of credit allowed as calculated on Schedule A. If you are claiming credit for income or wage taxes paid to more than one jurisdiction, complete a Schedule A for each (see instructions on page 42) and enter on Line 40 the total amount of the credits allowed from each Schedule A. If you are claiming a property tax deduction or credit, you must also complete Worksheet H to determine the amount of your benefit. If you are not eligible for a property tax benefit, enter on Line 40 the amount from Line 9, Column B, Schedule A(s).

The credit on Line 40 may not exceed your tax on Line 38. Enclose Schedule A(s) with your return. See the instructions for Schedule A on page 42.

Jurisdiction Codes (Line 40)			
Code		Code	
Multiple Jurisdictions	00	Missouri	25
Alabama	01	Montana	26
Arizona	03	Nebraska	27
Arkansas	04	New Hampshire	29
California	05	New Mexico	31
Colorado	06	New York	32
Connecticut	07	North Carolina	33
Delaware	08	North Dakota	34
Georgia	10	Ohio	35
Hawaii	11	Oklahoma	36
Idaho	12	Oregon	37
Illinois	13	Pennsylvania	38
Indiana	14	Rhode Island	39
Iowa	15	South Carolina	40
Kansas	16	Tennessee	42
Kentucky	17	Utah	44
Louisiana	18	Vermont	45
Maine	19	Virginia	46
Maryland	20	West Virginia	48
Massachusetts	21	Wisconsin	49
Michigan	22	Dist. of Columbia	51
Minnesota	23	Philadelphia	52
Mississippi	24	Other	53

Enter in the boxes at Line 40 the code for the jurisdiction for which you are claiming a credit. (See chart above.) If you are claiming credit for taxes paid to more than one jurisdiction (e.g., New York State and New York City or Delaware and Maryland), use the code for "Multiple Jurisdictions." If the jurisdiction to which you paid taxes is not listed, use the code for "Other."

Line 41 - Balance of Tax

Subtract Line 40 from Line 39 and enter the result on Line 41.

Line 42 - Sheltered Workshop Tax Credit

Enter on Line 42 your Sheltered Workshop Tax Credit for the current year from Part IV, line 12 of Form GIT-317. Enclose a copy of Form GIT-317 with your return and retain a completed copy for your records.

Line 43 - Balance of Tax After Credit

Subtract Line 42 from Line 41 and enter the result on Line 43.

Line 44 - Use Tax Due on Out-of-State Purchases

If you were a New Jersey resident and you purchased items or services that were subject to New Jersey sales tax, you are liable for use tax at the rate of 7% of the purchase price if sales tax has not been paid. If sales tax has been collected out of State, use tax is only due if the tax was paid at a rate less than 7%, based on the difference.

For example:

- You purchased a computer for \$1,500 from a seller located outside of New Jersey and no sales tax was collected. Your use tax liability to New Jersey on this item is \$105 ($\$1,500 \times .07 = \105).
- On a trip to Maine you purchased an antique desk for \$4,000 and paid Maine sales tax at the rate of 5%. The difference, \$80 (2% of the purchase price), is due to New Jersey as use tax.

Individual taxpayers report and remit use tax by either completing and filing the Use Tax Return (Form ST-18) within 20 days after property is brought into New Jersey or by reporting any use tax due on Line 44 of their resident income tax return, Form NJ-1040.

Form ST-18 is provided in this booklet for your convenience (in the center of the booklet with other tax forms). You may photocopy Form ST-18 and use it to remit use tax throughout the year.

If you owe use tax and are remitting it with Form NJ-1040, compute the amount of use tax due as follows:

Step 1

Items or services costing less than \$1,000 each. If you know the amount of your purchases in this category, calculate the exact amount of use tax due by multiplying the amount of your purchases by 7% (.07). **OR**, if you have incomplete or inaccurate receipts for your purchases, you may use the Estimated Use Tax Chart to estimate the amount of use tax due.

Contributions (Lines 58–63)

Whether you have an overpayment or a balance due, you may make a donation to any of the following funds:

- ♦ Endangered Wildlife Fund
- ♦ Children's Trust Fund
- ♦ Vietnam Veterans' Memorial Fund
- ♦ Breast Cancer Research Fund, or
- ♦ U.S.S. New Jersey Educational Museum Fund.

You may also make a donation to one of the following funds on Line 63:

- ♦ Drug Abuse Education Fund (01); or
- ♦ Korean Veterans' Memorial Fund (02); or
- ♦ Organ and Tissue Donor Awareness Education Fund (03); or
- ♦ NJ-AIDS Services Fund (04); or
- ♦ Literacy Volunteers of America – New Jersey Fund (05); or
- ♦ New Jersey Prostate Cancer Research Fund (06); or
- ♦ World Trade Center Scholarship Fund (07); or
- ♦ New Jersey Veterans Haven Support Fund (08); or
- ♦ Community Food Pantry Fund (09); or

Remember—

- ♦ If you are completing Schedules A, B, or C, see the following pages.
- ♦ If you are not required to file a New Jersey Resident Income Tax Return (Form NJ-1040) and you do not qualify for a New Jersey earned income tax credit, but you qualify for a property tax credit, you may be able to file only the property tax credit application, Form NJ-1040-H. See page 49.
- ♦ **Do not staple, paper clip, or tape any documents to the tax return. Also do not staple or tape the return pages together.**

New for 2011

- ♦ Cat and Dog Spay/Neuter Fund (10); or
- ♦ New Jersey Lung Cancer Research Fund (11).

For more information on the funds, see page 4.

Indicate the amount you want to contribute by checking the appropriate box(es) or entering any amount you wish to contribute.

If you are making a donation on Line 63, also enter the code number (01, 02, 03, 04, 05, 06, 07, 08, 09, 10, or 11) for the fund of your choice.

The amount you donate will reduce your refund or increase your balance due. Be sure to enter an amount when making a contribution.

If you are making a donation on Line 58, 59, 60, 61, 62, and/or 63, and you have a balance due, increase the amount of your payment by the amount you wish to contribute. If you are paying your tax due by check and including a donation, your check or money order must be made out to "State of New Jersey – TGI," not to the charity or charities you selected. Your donation will be deposited in the appropriate fund(s) when your return is processed.

Line 64 - Total Deductions From Overpayment

Add any amounts on Lines 57, 58, 59, 60, 61, 62, and/or 63. Enter the result on Line 64.

Line 65 - Refund

Subtract Line 64 from Line 56 (Overpayment). Enter the result on Line 65. This is the amount of your refund.

2011 Schedules A, B, and C

Schedule A - Taxes Paid to Other Jurisdiction

Requirements. As a New Jersey resident, you may be eligible for a tax credit against your New Jersey income tax if you have income from sources outside New Jersey. To qualify, your income must be subject to **both** the New Jersey income tax and the income or wage tax imposed by another jurisdiction outside of New Jersey for the same year. For this purpose, "jurisdiction" means any state of the United States or political subdivision of such state, including the District

of Columbia. **Pennsylvania residents see page 44.** No credit is permitted for taxes paid to the U.S. Government, Canada, Puerto Rico, or any foreign country or territory.

To receive the credit for taxes paid to another jurisdiction you must:

1. Complete Schedule A in its entirety. You may be required to complete more than one Schedule A in certain situations. See below.
2. Enclose Schedule A(s) with your NJ-1040 income tax return.

Completing More Than One Schedule A. You must complete a separate Schedule A for each jurisdiction for which you are claiming a credit. You must also complete a separate Schedule A for each tax imposed by a jurisdiction.

- ♦ *Two or more jurisdictions (i.e., a state and political subdivision(s) therein) impose tax on the same income.* For example, when both a state and a city within that state tax the same income, you may have to complete and enclose a separate Schedule A for each jurisdiction (see "Same Income Taxed by More Than One Jurisdiction" on page 43).

continued

Schedule A - continued

NOTE: New Jersey does not require that a copy of the income tax return(s) filed with the other jurisdiction(s) be enclosed with Form NJ-1040. However, you should retain complete copies of any returns filed with other jurisdiction(s). If your return is audited, you will be asked to provide:

- a) A complete copy of the income tax return(s) filed with the other jurisdiction(s) — if one was filed or required to be filed. If you filed electronically in the other jurisdiction, a copy of the Electronic Filing Income Tax Return *along with* schedules, worksheets, etc. which establish the nature and source of the income being taxed by the other jurisdiction must be submitted.
- b) If you participated in a composite return filed in another jurisdiction, you must submit a statement, on the filing entity's letterhead, that lists the jurisdiction, your share of the gross income taxed by the other jurisdiction, and your share of the tax paid.
- c) If no return is required to be filed with the other jurisdiction, you must submit the following as applicable:
 - ♦ W-2 which lists the wage taxes paid and the name of the taxing jurisdiction.
 - ♦ A statement from the business entity which filed a tax return based on income that lists your share of the gross income taxed by the other jurisdiction, the name of the tax, and your share of the tax paid.

- ♦ *Different jurisdictions impose tax on different income.* For example, if you had wages from State A and a gain from the sale of property from State B, you must complete a separate Schedule A for each state.
- ♦ *Same jurisdiction imposes more than one type of tax.* For example, if you had wages and business income from a city that imposes both a wage tax and a different tax on business income, you must complete one Schedule A for the wage tax and a separate Schedule A for the tax on business income.

Property Tax Deduction/Credit (Worksheet H). Schedule A provides taxpayers who are eligible for a property tax benefit with a method for calculating the credit for taxes paid to another jurisdiction both with and without the property tax deduction. If you are eligible to receive a property tax deduction/credit you must complete Schedule A for each jurisdiction for which you are claiming a credit for taxes paid. Then you must complete Worksheet H on page 45 to determine whether you receive a greater benefit from claiming the property tax deduction or taking the property tax credit.

If you are claiming a credit for taxes paid to another jurisdiction but you are not eligible for a property tax benefit (see page 35 for eligibility requirements), only complete Column B of Schedule A. Enter the amount from Line 9, Column B on Line 40, Form NJ-1040. Make no entry on Lines 36c or 48, Form NJ-1040.

Line 1 - Income Actually Taxed by Other Jurisdiction

Enter on Line 1 the amount of income you received during the year which was actually taxed by the other jurisdiction. Also enter the name of the taxing jurisdiction in the space provided. The amount on Line 1 must be the amount of income which was actually taxed by the other jurisdiction. This means the gross income after adjustments have been made by the other jurisdiction but before personal exemptions and standard and/or other itemized deductions are subtracted. Any income included on Line 1 of Schedule A must also be included on Line 2 since to be eligible for the credit, the income must be taxed by **both** New Jersey and the other jurisdiction.

Include on Line 1 only amounts properly taxable by the other jurisdiction. In

general, this includes compensation for services performed; net profits from a business, trade, or profession carried on in the other jurisdiction; S corporation income allocated to the other jurisdiction; or income or gains from the ownership or sale of real or personal property in the other jurisdiction.

Amounts received as interest, dividends, gains on sale of securities, and other income from intangible personal property such as savings accounts, stocks, bonds, and other securities, cannot be included on Line 1 unless (1) the income was derived from a business, trade, or profession carried on in the other jurisdiction, or (2) you are required to and file a resident return with the other jurisdiction as well as with New Jersey and report the income on both returns.

Do **not** include on Line 1:

- ♦ Income which is not subject to New Jersey income tax (even though the item(s) may be subject to tax by the other jurisdiction, e.g., unemployment compensation).
- ♦ Income which has been excluded or deducted in arriving at the income actually taxed in the other jurisdiction. Items such as IRA and Keogh contributions, employee business expenses, moving expenses, and alimony, if allowed as adjustments to income, would have been deducted from gross income.
- ♦ Income subject to tax by any foreign country, U.S. possession, or territory.
- ♦ If you are required to file a resident return in the other jurisdiction, any amount of S corporation income allocated to New Jersey.

Same Income Taxed by More Than One Jurisdiction. Income can only be reported once on Schedule A. When you pay tax to two jurisdictions on the same income, and the amount of income taxed by each jurisdiction is the same, complete only *one* Schedule A. When you pay tax to two jurisdictions on the same income and the amount of income taxed by each jurisdiction differs, you may be eligible

continued

Schedule A - continued

to claim two credits. The first credit is based on the amount of income taxed by both jurisdictions, and the second credit is based only on the difference between the amounts taxed by the two jurisdictions.

For example, New Jersey taxed \$150,000 in business income of a business in city Y located in state Z. Both city Y and state Z taxed the business income. If state Z imposed \$8,200 tax on \$120,000 of income, and city Y imposed \$5,600 tax on \$140,000 of income, complete two Schedule As. Line 1, Schedule A of the first credit calculation will be \$120,000 (the amount of income taxed by both city Y and state Z). To determine the credit available on the \$120,000 which was jointly taxed, add together and enter in Box 9a, Line 9 the taxes paid to state Z (\$8,200) and the portion of the city Y tax on \$120,000 (\$4,800). (Do not use \$5,600 for the amount of city Y tax, since that is the tax paid on \$140,000 of income.) Compare the allowable credit calculated on Line 8, Schedule A to the amount in Box 9a (\$13,000). The credit allowed is the lesser of Line 8 or Box 9a. For the second Schedule A, the amount on Line 1 is \$20,000. This is the difference between the amount taxed by both city Y and state Z (\$120,000) on which a credit has already been calculated, and the amount taxed by city Y (\$140,000).

NOTE: When calculating the credit for income taxed by more than one jurisdiction and the actual tax paid to the other jurisdiction is less than the allowable credit, enter on Line 9, Box 9a of each Schedule A **only** the tax paid on the amount of income entered on Line 1. In the example above, Line 9, Box 9a of the second Schedule A would show \$800, the tax paid to city Y on \$20,000 of income, not \$5,600, the tax paid on \$140,000 of income.

Income From New York. New Jersey residents working in or earning taxable income from New York are often taxed on an amount less than their actual income earned in New York due to the many allowable New York income tax adjustments. New York determines the rate (% of tax) that will be imposed by including all the income earned as if the

taxpayer was a resident. New York then computes the percentage of the New York source income by dividing the New York State income by the Federal income (worldwide income). The percentage is then multiplied by the total calculated tax liability, as if a resident, to determine the actual tax liability of the nonresident. When claiming credit for taxes paid to New York, Line 1, Schedule A of the NJ-1040 should reflect the "New York State Amount" actually taxed by New York from the New York IT-203. Certain adjustments may be necessary to determine the income actually taxed by New York State.

For New Jersey residents subject to the New York State income tax on lump-sum distributions, separate Schedule A calculations for taxes paid to New York State on first the ordinary income and second on taxes paid to New York State on the lump-sum distribution should be made to arrive at the total credit for taxes paid. Both Schedule As must be enclosed with your return.

Income From Pennsylvania. As a result of the Reciprocal Personal Income Tax Agreement between the Commonwealth of Pennsylvania and the State of New Jersey, compensation paid to New Jersey residents employed in Pennsylvania is not subject to the Pennsylvania income tax. Compensation means salaries, wages, tips, fees, commissions, bonuses, and other remuneration received for services rendered as an employee.

You may **not** claim a credit on Schedule A for taxes paid to Pennsylvania on compensation earned in Pennsylvania because these earnings are not subject to tax in Pennsylvania. If Pennsylvania income tax was withheld from your wages, you must file a Pennsylvania return to obtain a refund. To stop the withholding of Pennsylvania income tax, complete a Pennsylvania Employee's Nonwithholding Application Certificate (Pennsylvania Form REV-419) and give it to your employer. You may obtain Form REV-419 from the Pennsylvania Department of Revenue (www.revenue.state.pa.us/).

The Reciprocal Agreement covers compensation only. If you are self-employed or receive other income (for example, gain from sale of property) which is taxable in both states, you may claim a credit for taxes paid to Pennsylvania on that income by completing Schedule A.

Income From Philadelphia or Other Pennsylvania Municipalities. The Reciprocal Agreement between Pennsylvania and New Jersey (see "Income From Pennsylvania" above) does not apply to the wage or income tax imposed and collected by the City of Philadelphia or any other municipality in Pennsylvania. Therefore, income subject to both New Jersey income tax and any municipal wage or income tax may be included on Line 1, Schedule A.

The amount of income taxable to Philadelphia is sometimes different than the New Jersey State wages figure on the W-2 statement. To determine the proper amount of income to place on Line 1 of Schedule A of the NJ-1040, you must divide the wage tax deducted from your pay by the Philadelphia tax rate as follows:

$$\frac{\text{Philadelphia Wage Tax Paid}}{\text{Philadelphia Wage Tax Rate}} = \text{Line 1, Sched. A}$$

Do not report at Line 1 an amount that is more than the amount reported at Line 14, NJ-1040 as Philadelphia wages.

Information about the Philadelphia wage tax rate is available on the Philadelphia Revenue Department's Web site at www.phila.gov/revenue/.

Sole Proprietorship or Partnership Income From Philadelphia. If you are a sole proprietor or partner in a partnership whose income is subject to Pennsylvania income tax and Philadelphia Business Privilege Tax and Net Profits Tax, you must consider the taxes paid (based on income) to all jurisdictions when calculating the credit. The Philadelphia Business Privilege Tax imposes two taxes, one based on income and one based on gross receipts. Only the tax imposed based on income qualifies for the credit calculation.

Schedule A - continued

Worksheet H Which Property Tax Benefit to Use

	COLUMN A		COLUMN B	
	1.		1.	
1. Tax. Enter amounts from Line 7, Schedule A, Columns A and B here.....				
2. Credit for Taxes Paid to Other Jurisdiction. Enter amounts from Line 9, Schedule A, Columns A and B here. If you completed more than one Schedule A, enter the total of all Line 9 amounts (Columns A and B) in the corresponding column.....	2.		2.	
3. Balance of Tax Due. Subtract line 2 from line 1 in each column	3.		3.	
4. Subtract line 3, column A from line 3, column B and enter result here.....			4.	

5. Is the line 4 amount \$50 or more (\$25 if you and your spouse/civil union partner file separate returns but maintain the same principal residence)?

- ☐ Yes. You receive a greater tax benefit by taking the Property Tax Deduction. Make the following entries on Form NJ-1040.

Form NJ-1040

Enter amount from:

Line 36c

Line 5, Column A, Schedule A

Line 37

Line 6, Column A, Schedule A

Lines 38 and 39

Line 7, Column A, Schedule A

Line 40

Line 2, Column A, Worksheet H

Line 48

Make no entry

- ☐ No. You receive a greater tax benefit from the Property Tax Credit. (**Part-year residents**, see instructions on page 9 before answering "No.") Make the following entries on Form NJ-1040.

Form NJ-1040

Enter amount from:

Line 36c

Make no entry

Line 37

Line 6, Column B, Schedule A

Lines 38 and 39

Line 7, Column B, Schedule A

Line 40

Line 2, Column B, Worksheet H

Line 48

\$50 (\$25 if you and your spouse/civil union partner file separate returns but maintain the same principal residence). **Part-year residents**, see instructions on page 9.

(Keep for your records)

S Corporation Income. If you paid income taxes or wage taxes to another jurisdiction on your S corporation income and that income is also taxed in New Jersey for the same tax year, you may be eligible for a credit. No credit is allowed, however, for tax imposed by another jurisdiction on S corporation income which is allocated to New Jersey. Nor is a credit allowed for the amount of any taxes paid or accrued on or measured by profits or income imposed on or paid on behalf of a person other than you, whether or not you may be held liable for the tax. In addition, you may not claim a credit against New Jersey tax attributable to distributions. Distributions that are taxable to you as dividends or gains from disposition of property are intangible income and not subject to tax in the other jurisdiction.

Line 2 - Income Subject to Tax by New Jersey

Enter on Line 2 the amount of income reported on Line 28, Form NJ-1040 (New Jersey Gross Income).

Line 3 - Maximum Allowable Credit Percentage

Divide Line 2 into Line 1 and enter the percentage on Line 3. Carry your results to seven (7) decimal places, rounding up if the seventh place is 5 or more (i.e., .2412378 becomes 24.1238%). Since Line 1 can never be more than Line 2, the result will be 100% or less.

If you are not eligible to claim a property tax deduction or credit, only complete Column B to determine your credit for taxes paid to other jurisdictions. Total

the amounts from Line 9, Column B of all Schedule As completed and enter that amount on Line 40, Form NJ-1040. Make no entry on Lines 36c or 48, Form NJ-1040.

Line 4 - Taxable Income

For each column, enter on Line 4 the amount of your taxable income from Line 35, Form NJ-1040.

Line 5 - Property Tax and Deduction

If you were a qualified homeowner or tenant during the tax year, you may be eligible for a property tax deduction or property tax credit. See instructions on page 35 to determine if you qualify. If you qualify, complete Line 5 as follows:

continued

Schedule A - continued

Box 5a. Enter in Box 5a your property taxes (or 18% of rent) due and paid during 2011 on your qualified residence from line 1 of Worksheet F. See page 37.

Column A (Line 5). Enter on Line 5 in Column A, your property tax deduction amount from line 2 of Worksheet F. See page 37.

Line 6 - New Jersey Taxable Income

For each column, subtract Line 5 from Line 4 and enter the result on Line 6.

Line 7 - Tax on Line 6 Amount

For each column, enter on Line 7 the amount of tax due on the income entered on Line 6. Use the Tax Table on page 53 or the Tax Rate Schedules on page 62 to calculate the amount of tax due.

If you are not eligible for a property tax benefit, and you are completing only Column B of Schedule A, the amount on Line 7, Column B should be the same as the amount you entered on Line 38, Form NJ-1040.

Line 8 - Allowable Credit

For each column, multiply the amount on Line 7 by the percentage on Line 3 and enter the result on Line 8.

Line 9 - Credit for Taxes Paid to Other Jurisdiction

Enter in Box 9a the total amount of income or wage tax paid to the other jurisdiction(s) on the amount of income shown on Line 1. Enter the total tax liability to the other jurisdiction from the other jurisdiction's tax return. If the other jurisdiction does not require the filing of a tax return, Box 9a of Schedule A may be the taxes withheld for the jurisdiction.

If you adjusted the income on Line 1 of this Schedule A because you had income taxed by more than one jurisdiction, enter only the tax paid on the adjusted amount shown on this Schedule (see example on page 44).

For each column, enter on Line 9 the lesser of Line 8, Allowable Credit, or the amount in Box 9a, amount of income or wage tax paid to the other jurisdiction(s) on the income shown on Line 1, Schedule A.

If you are eligible for a property tax deduction or credit, complete Worksheet H on page 45. Part-year residents see instructions on page 9.

If you are not eligible for a property tax deduction or credit, enter the amount from Line 9, Column B, Schedule A on Line 40, Form NJ-1040 and make no entry on Lines 36c or Line 48, Form NJ-1040. If you completed more than one Schedule A, total the amounts from Line 9, Column B of all Schedule As and enter on Line 40.

For more information on claiming a credit for taxes paid to another jurisdiction, refer to Tax Topic Bulletins GIT-3W, *Credit for Taxes Paid to Other Jurisdictions (Wage Income)*, and GIT-3B, *Credit for Taxes Paid to Other Jurisdictions (Business/Nonwage Income)*.

Schedule B - Disposition of Property


Your portion of the gain or loss derived from the disposition of property owned by a sole proprietorship, partnership, an estate or trust or, in general, an S corporation is reportable as net profits from business on Line 17, distributive share of partnership income on Line 20, income from estates and trusts on Line 25, or net pro rata share of S corporation income on Line 21. For information regarding grantor trusts, see the reporting instructions for Line 25 on page 28.

Use Schedule B to report all other capital gains and income from the sale or exchange of any property. In arriving at your gain, you may deduct expenses of the sale and your basis in the property. The basis to be used for computing gain or loss is the cost or adjusted basis determined for Federal income tax purposes.

New Jersey income tax law has uncoupled from certain changes in Federal

depreciation and expense deduction limits. A New Jersey depreciation adjustment may be required for assets placed in service on or after January 1, 2004. Complete the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP to calculate the adjustment.

The New Jersey allowable IRC Section 199 deduction must be calculated on Form 501-GIT, Domestic Production Activities Deduction. The result should be taken into consideration in calculating the gain or loss on disposition of applicable property.

TAX TIP  If you had an interest in a partnership, a sole proprietorship, or an S corporation which sold or disposed of virtually all of its assets in conjunction with the **complete liquidation** of the entity, then your portion of the gain or loss from the entity's sale or disposition of its assets must be reported as net gains or income from the disposition of property.

If you sold an interest in a partnership, a sole proprietorship, or rental property, you may be required to use a New Jersey adjusted basis. If you sold shares in an S corporation, you **must** use your New Jersey adjusted basis. The gain or loss from your sale or liquidation of a sole proprietorship, a partnership interest, or shares of S corporation stock must be reported as net gains or income from disposition of property on Schedule B.

For information on calculating your New Jersey adjusted basis and your New Jersey reportable gain or loss, refer to rules N.J.A.C. 18:35-1(c)5 (trade or business property), 18:35-1.3(d)2 (partnerships), or 18:35-1.5(k) (S corporations) and Tax Topic Bulletin GIT-9P, *Income From Partnerships*, or GIT-9S, *Income From S Corporations*.

All gains derived from installment sales must be reported in the same year as reported for Federal income tax purposes. If the New Jersey basis differs from the Federal basis, a New Jersey installment sale calculation must be made and the New Jersey gain must be reported.

continued

Schedule B - continued

If the spaces provided are not sufficient, enclose a statement with the return listing any additional transactions along with Schedule B.

Sale of a Principal Residence. If you sell your principal residence, you may qualify to exclude up to \$250,000 (\$500,000 for certain married/civil union couples filing a joint return) of any gain from your income. Capital gain is computed in the same manner as for Federal income tax purposes. Any amount that is taxable for Federal purposes is taxable for New Jersey purposes.

You can claim the exclusion if, during the 5-year period ending on the date of the sale, you have:

1. Owned the home for at least 2 years (the ownership test); **and**
2. Lived in the home as your principal residence for at least 2 years (the use test).

NOTE: If you owned and used the property as your principal residence for less than 2 years, and you qualify for a reduced exclusion for Federal purposes, you may claim a reduced exclusion for New Jersey purposes.

You can exclude up to \$250,000 (\$500,000 for certain married/civil union couples filing a joint return) of gain from the sale of your principal residence if **both 1 and 2** below apply.

1. Neither you nor your spouse/civil union partner if filing a joint return is excluding gain from the sale of another home.
2. You or your spouse/civil union partner if filing a joint return owned and lived in the home for periods adding up to at least 2 years within the 5-year period ending on the date of sale.

If you are a married/civil union couple, filing a joint return, **both** you and your spouse/civil union partner must meet the use test to qualify for the \$500,000 exclusion.

If only one spouse/civil union partner meets the ownership and use tests, the qualified spouse/civil union partner can exclude up to \$250,000 of the gain when filing either a joint return or a married/CU partner, filing separate return.

You cannot exclude the gain on the sale of your principal residence if, during the 2-year period ending on the date of the sale, you sold another home at a gain and excluded all or part of that gain. If you cannot exclude the gain, you must include it in your income and complete Schedule B. However, you can claim a reduced exclusion if you sold the home due to a change in health or place of employment and you qualify for a reduced exclusion for Federal purposes.

Line 1 - List of Transactions

List at Line 1, Schedule B any New Jersey taxable transaction(s) as reported on your Federal Schedule D, indicating the gain or loss for each transaction in Column f. In listing the gain or loss on disposition of rental property, the New Jersey adjustment from the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP, Part 1, line 6 must be taken into consideration. Be sure to retain the completed worksheet for your records.

Do not include gains or losses from the sale of exempt obligations. For more information on tax-exempt obligations, see Tax Topic Bulletin GIT-5, *Exempt Obligations*.

The Gross Income Tax Act does not distinguish between active and passive losses, nor does it authorize carryback or carryforward of such losses. You may deduct Federal passive losses in full in the year incurred against any gain within the **same category** of income, but only in the year that it occurred.

Line 2 - Capital Gains Distributions

Enter on Line 2 the total amount of all capital gains distributions from your Form 1099-DIV(s) or similar statement(s). Do not include capital gains

from a "New Jersey Qualified Investment Fund" which are attributable to qualified exempt obligations or gains from mutual funds to the extent attributable to Federal obligations. For more information on "New Jersey Qualified Investment Funds," see page 23.

Line 3 - Other Net Gains

Enter on Line 3 the total amount of net gains or income less net losses from disposition of property not included on Lines 1 or 2 of Schedule B.

Line 4 - Net Gains

Enter on Line 4 the total of the amounts listed on Line 1, Column f and Lines 2 and 3, netting gains with losses. Enter this amount on Line 18, Form NJ-1040. If the netted amount is a loss, enter zero here and make no entry on Line 18, Form NJ-1040.

Schedule C - Rents, Royalties, Patents, and Copyrights

Your portion of net gains or losses derived from rents, royalties, patents, and copyrights from property owned by a sole proprietorship, partnership, an estate or trust or, in general, an S corporation is reportable as net profits from business on Line 17, distributive share of partnership income on Line 20, income from estates and trusts on Line 25, or net pro rata share of S corporation income on Line 21. For information regarding grantor trusts see the reporting instructions for Line 25 on page 28.

Use Schedule C to report all other net gains or income less net losses from rents, royalties, patents, and copyrights.

New Jersey income tax law has uncoupled from certain changes in Federal depreciation and expense deduction limits. A New Jersey depreciation adjustment may be required for assets placed in service on or after January 1, 2004. Complete the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP to calculate the adjustment.

Schedule C - continued

The New Jersey allowable IRC Section 199 deduction must be calculated on Form 501-GIT, Domestic Production Activities Deduction. The result should be taken into consideration in calculating the net gain, income, or loss resulting from the rental of applicable property.

The Gross Income Tax Act does not distinguish between active and passive losses, nor does it authorize carryback or carryforward of such losses. Thus, you may deduct Federal passive losses in full in the year incurred against any gain within the **same category** of income.

If the spaces provided are not sufficient, enclose a statement with the return listing any additional property and income along with Schedule C.

Line 1 - List of Property and Income

List at Line 1, Schedule C the kind of property and the net income or loss from each property. For rentals, in listing the income or loss for each rental property as determined on your Federal Schedule E, the New Jersey adjustments from the Gross Income Tax Depreciation Adjustment Worksheet GIT-DEP, Part 1, lines 4 and 5 must be taken into consideration. Be sure to retain the completed worksheet for your records.

In listing New Jersey income or loss, the New Jersey allowable IRC Section 199 deduction must be taken into consideration, if applicable.

Line 2 - Totals

Add the amounts in each column and enter the totals on Line 2.

Line 3 - Net Income

Add the amounts listed on Line 2 in columns b, c, d, and e. Enter the total on Line 3, netting gains with losses. Enter this amount on Line 22, Form NJ-1040. If the netted amount is a loss, enter zero here and make no entry on Line 22, Form NJ-1040.

Assembling Your Return

Be sure to check the following before mailing your completed return:

- **Check** your math.
- **Sign and date your return (or property tax credit application).** Both spouses/civil union partners must sign a joint return.
- **Enclose** all supporting documents and schedules with the return including:
 - W-2(s)
 - 1099-R(s) and 1099-MISC(s) that indicate NJ withholdings
 - If applicable, New Jersey Form(s): Schedules A, B, & C, NJ-630, NJ-2210, NJ-2440, NJ-2450, GIT-317, Schedule NJK-1 (or copy of Federal Schedule K-1, Form 1065), Schedule NJ-K-1 (or copy of Federal Schedule K-1, Form 1120S), Schedule NJK-1, Form NJ-1041 (or copy of Federal Schedule K-1, Form 1041)
 - Proof of age and/or disability the first time you claim the exemption(s) on your return or property tax credit application
 - Copy of your New Jersey Certificate of Domestic Partnership the first time you claim the exemption on your return or property tax credit application
 - Copy of Federal tax return to document income below the minimum filing threshold for the entire year for a part-year resident
 - If applicable, copy of Federal Form(s):

Schedule B for interest over \$1,500	Form 4868 for filing under a Federal extension
Schedule C, C-EZ, or F for business income	Form 8283 for Qualified Conservation Contributions
Form 2106 for employee business expenses	Form 8853 for Archer MSA contributions
Form 3903 for moving expenses	
- **Balance due.** Complete the Payment Voucher, Form NJ-1040-V, and return it with your payment if paying by check or money order. Write your social security number on your check or money order. If paying by e-check or credit card, do not include the payment voucher.
- **Use the large envelope** to mail Form NJ-1040 or NJ-1040-H with related enclosures, payment voucher, and check or money order. **Send only one return or property tax credit application per envelope.** On the flap of the large envelope you will find two address labels. Choose the label that applies.
- **Keep a copy** of your return and all supporting documents or schedules.